

CITY OF OELWEIN

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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CITY OF OELWEIN

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Jason Manus (Resigned 8/22/14)	Mayor	January 2016
Peggy Sherrets elected 10/7/2014		
Ben Weber	Council Member	January 2018
Kevin Stickel	Council Member	January 2018
Renee Cantrell	Council Member	January 2018
Paul Ryan	Council Member	January 2016
Jim Petersen (dec'd)	Council Member	January 2016
Ted Malget (appointed)	Council Member	January 2016
Peggy Sherrets (elected mayor 10/7/2014)	Council Member	January 2016
Jamie Letzring	City Administrator/Clerk/	Indefinite
Barb Rigdon	Deputy City Clerk/	Indefinite
Ronald VanVeldhuizen	Attorney	Indefinite

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.
Brent Waters, C.P.A.

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oelwein as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U. S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Oelwein adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oelwein's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on page 4 and pages 27 through 34 respectively has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2015 on our consideration of the City of Oelwein's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Oelwein's internal control over financial reporting and compliance.

December 17, 2015



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

CITY OF OELWEIN
20 2nd Ave SW, Oelwein, IA 50662
319-283-5440 Fax 319-283-4032

Peggy Sherrets, Mayor
Ben Weber, Mayor Pro Tem
Matt Weber, 1st Ward Council
Kevin Stickel, 2nd Ward Council
LouAnn Milks, 3rd Ward Council
Renee Cantrell, 4th Ward Council
Paul Ryan, Council At-Large

Jamie Letzring, City Administrator
Barbara Rigdon, Deputy City Clerk
Ron Van Veldhuizen, City Attorney
Jeremy Logan, Police Chief
Wally Rundle, Fire Chief
Victor Kane, Utilities Superintendent
Tom Stewart, Street Superintendent
Susan Macken, Librarian
Durango Steggall, Park Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Oelwein's financial performance provides an overview of the City's activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements that begin on page 5.

FINANCIAL HIGHLIGHTS

The City's total expenses exceeded total revenues by \$3,509,275 for the year, resulting in a decrease in total net assets.

Cities are required by statute to contribute to employee retirement plans. The City of Oelwein Police and Fire personnel participate in the Municipal Fire and Police Retirement System of Iowa (MFPRSI). MFPRSI employees contribute 9.40% of earnable compensation. Employer contribution for this audit period was 30.41% of compensation. The employer rate for FY 15-16 will be 27.77% as State mandated enhanced pension benefits are now in effect. By comparison the City's rate was 17% in FY 09-10. In 2000 11.12% would have sufficiently fully funded the MFPRSI.

The City approved a project to sand-jack the 1980 well which resulted in an expenditure of \$279,173.70.

Additionally, Council and staff completed the runway lighting rehabilitation project with the use of Federal Aviation grant funds.

The City entered into agreements with Transco Railway Products, Inc. to provide up to \$1,297,880 over a period of eight years in property tax exemption to expand operations at its current location and create a minimum of fifty new jobs associated with this phase of the expansion.

The City authorized the purchase of 406 3rd Ave SE in Oelwein, IA for the amount of \$100,000.

Council authorized a 10-year ordinance which increases water and sewer rates 2% annually on July 1st, as well as adding a \$6.00 infrastructure fee per account, with the opportunity to forego the annual increase at the discretion of Council.

The City's General Fund ended the year with a fund balance of \$541,013. The recommended General Fund balance should be at least 25% of the General Fund budget. During this past fiscal year 25% of the General Fund budget was \$509,990. Therefore, the General Fund year-end balance was adequate.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 was implemented in 2004 as a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of the following parts:

Financial Statements
Notes to the Financial Statements
Required Supplementary Information
Other Supplementary Information

Basis of Accounting

The City of Oelwein has elected to present its financial statements on a cash basis of accounting. A cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

The Statement of Activities and Net Assets reports information which help express whether the City is better off than one year ago. The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- 1 – Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- 2 – Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$7,026,737 to \$3,470,092. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	<u>Year End June 30</u>	
	<u>2015</u>	<u>2014</u>
Receipts and transfers		
Program receipts		
Charge for service	43	61
Operating grants and contributions	854	1,221
Capital grants and contributions	134	41
General receipts		
Property tax	2,434	2,265
Local option sales tax	73	106
Tax Increment taxes	1,051	1,082
Investment Earnings	287	289
Other general receipts	<u>652</u>	<u>546</u>
Total Receipts	5,528	5,611
Other Revenue Sources	<u>27</u>	<u>3,352</u>
Total receipts and transfers	5,555	8,963
Disbursements:		
Public safety	1,646	1,740
Public works	785	780
Health and social services	37	40
Culture and recreation	844	818
Community and economic development	919	1,198
General government	368	374
Debt service	894	527
Capital projects	3,618	127
Enterprise	<u>0</u>	<u>0</u>
Total disbursements	9,111	5,601
Increase (decrease) in cash basis net assets	(3,556)	3,362
Cash basis net assets beginning of year	<u>7,026</u>	<u>3,665</u>
Cash basis net assets end of year	<u>3,470</u>	<u>7,027</u>

Because the City is at the maximum General Fund rate allowed (8.10) employee benefits are paid from the Trust and Agency levy. The Trust and Agency expenses continue to increase from \$704,747 in fiscal year 2010 to \$781,316 in fiscal year 2011, \$840,320 in fiscal year 2012, \$922,334 in fiscal year 2013, \$950,530 in fiscal year 2014 and \$1,130,267 in FY 2015.

The cost of all governmental activities this year was \$9,111,279 compared to \$5,601,823 last year. However, as shown in the Statement of Activities and Net Assets on page 7, the amount taxpayers ultimately financed for these activities was approximately \$3,558,524. This was possible because some of the cost was paid by those directly benefited from the programs or by

other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling approximately \$1,969,542.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)			
		<u>2015</u>	<u>2014</u>
Receipts			
	Program receipts		
	Charges for services:		
	Water	990	975
	Sewer	1,376	1,380
	Landfill	216	212
	Recycling	81	80
	Williams Center	137	106
	Fuel Fund	88	150
	General receipts:		
	Unrestricted interest on investments	9	10
	Bond proceeds	0	141
	Other general receipts	<u>38</u>	<u>35</u>
	Total receipts	2,935	3,089
Disbursements			
	Water	651	800
	Sewer	791	726
	Landfill	211	211
	Recycling	80	81
	Fuel fund	68	163
	Wellness Center	204	178
	Capital Projects	71	273
	Debt Service	785	807
	Transfers	<u>27</u>	<u>(1)</u>
	Total disbursements and transfers	2,888	3,268
	Increase (decrease) in cash balance	47	(179)
	Cash basis net assets beginning of year	<u>1,696</u>	<u>1,875</u>
	Cash basis net assets end of year	<u>1,743</u>	<u>1,696</u>

Total business type activities receipts for the fiscal year were \$2,934,728 compared to \$3,089,012 last year. Total disbursements and transfers for the fiscal year decreased by \$154,284.

Individual Major Governmental Fund Analysis

- As Oelwein completed the year, its governmental funds reported a combined balance of \$3,470,029, a decrease of \$3,556,708 from last year's total of \$7,026,737. The following are the major reasons for the changes in fund balances of the major funds from the prior year.
- The General Fund cash balance decreased from \$654,401 from the prior year to \$541,013.
- The Debt Service Fund cash balance decreased from \$223,746 to \$134,410 during the fiscal year.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance decreased from \$ 635,081 to \$632,130.
- The Sewer Fund cash balance increased from \$606,962 to \$658,956.

Budgetary Highlights

The City amended its budget in May. This was necessary because of additional disbursements and receipts in certain City departments. The City had sufficient cash balances and grant funds to absorb these additional costs.

Debt Administration

At June 30, 2015 the City had approximately \$6,300,000 in general obligation bond debt. \$7,823,000 in other long-term debt, for a total of \$14,123,000.

Outstanding Debt at Year End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation bonds	\$ 6,300	6,870
Urban renewal tax increment financing revenue bonds	0	0
Total	\$ 6,300	6,870
Sewer Revenue Notes	6,356	6,816
CEBA Loan Agreement	0	0
Economic Development Loan	0	0
Library Pledge Loan	0	0
Intermediary Relending Program	434	451
Water Revenue Notes	1,033	1,111
Total	\$ 14,123	15,248

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$6,300,000 is below its constitutional debt limit of \$10,603,019.

Economic Factors and Next Year’s Budget and Rates

The City Council considered many factors when setting the fiscal year 2015 budget, tax rates and fees that will be charged for various City activities.

The City will continue construction on major water and sewer system upgrades during the next fiscal year including consideration of West Water Tower and 1942 Well project. The City will also be financing a RISE grant road project to extend 14th Street SE through to Outer Road (a 80/20 match with State I-DOT funds) as well as supplying utilities to an expanding industry in the Industrial Park 3rd Addition.

The city's current utility billing, payroll and accounting software is outdated and no longer being supported. A new software package has been purchased with installation in November 2015, along with this upgrade, credit card, online and phone access payments will be available spring of 2016.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jamie Letzring, City Treasurer, 20 Second Avenue SW, Oelwein, Iowa.

Basic Financial Statements

City of Oelwein

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 1,645,848	86,024	32,601	-
Public works	785,430	48,484	667,048	140,333
Health and social services	37,232	-	-	-
Culture and recreation	844,486	196,772	5,857	-
Community and economic development	918,572	-	-	-
General government	368,157	-	-	-
Debt service	893,757	-	-	-
Capital projects	3,617,762	-	-	-
Enterprise	35	-	-	-
Total governmental activities	9,111,279	331,280	705,506	140,333
Business type activities:				
Water	619,408	900,468	-	-
Sewer	790,578	1,360,492	-	-
Sewer Bond Sinking	670,883	-	-	-
Nonmajor business type funds	779,921	506,326	-	-
Total business type activities	2,860,790	2,767,286	-	-
Total	\$ 11,972,069	3,098,566	705,506	140,333

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
- Tax increment financing
- Special assessments
- Local option sales tax
- Hotel/Motel Tax
- Gas-Electric Franchise
- Unrestricted interest
- Miscellaneous
- Rents
- Sale of Assets
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

- Restricted:
 - Nonexpendable:
 - Cemetary Perpetual Care
 - Expendable:
 - Streets
 - Debt Service
- Unrestricted
- Total cash basis net position**

See notes to financial statements

EXHIBIT A

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(1,527,223)	-	(1,527,223)
70,435	-	70,435
(37,232)	-	(37,232)
(641,857)	-	(641,857)
(918,572)	-	(918,572)
(368,157)	-	(368,157)
(893,757)	-	(893,757)
(3,617,762)	-	(3,617,762)
(35)	-	(35)
(7,934,160)	-	(7,934,160)
-	281,060	281,060
-	569,914	569,914
-	(670,883)	(670,883)
-	(273,595)	(273,595)
-	(93,504)	(93,504)
(7,934,160)	(93,504)	(8,027,664)
2,422,477	-	2,422,477
178,060	-	178,060
73,362	-	73,362
43,074	-	43,074
388,888	-	388,888
37,278	-	37,278
458,440	-	458,440
12,101	8,743	20,844
451,799	158,699	610,498
271,314	-	271,314
14,154	-	14,154
27,344	(27,344)	-
4,378,291	140,098	4,518,389
(3,555,869)	46,594	(3,509,275)
7,025,898	1,696,536	8,722,434
\$ 3,470,029	1,743,130	5,213,159
\$ 278,849	-	278,849
188,981	-	188,981
147,308	-	147,308
2,854,891	1,743,130	4,598,021
\$ 3,470,029	1,743,130	5,213,159

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	General	Special Revenue		Capital Projects		Nonmajor Governmental Funds	Total
		#64-Employee Benefits	#66-Road Use Tax	#43-Bond Sale - Police	#75-Economic Development		
Receipts:							
Property tax	\$ 1,077,139	1,130,267	-	-	-	393,131	2,600,537
Tax increment financing collections	-	-	-	-	-	73,362	73,362
Other city tax	-	-	-	-	-	884,625	884,625
Licenses and permits	80,539	-	-	-	-	-	80,539
Use of money and property	79,065	1,038	-	-	201,210	5,346	286,659
Intergovernmental	49,929	-	667,048	-	-	270,708	987,685
Charges for service	91,439	-	-	-	-	-	91,439
Special assessments	-	-	-	-	-	43,223	43,223
Miscellaneous	175,852	19,333	-	-	222,738	62,074	479,997
Total receipts	1,553,963	1,150,638	667,048	-	423,948	1,732,469	5,528,066
Disbursements:							
Operating:							
Public safety	1,061,585	539,504	-	-	-	44,759	1,645,848
Public works	64,368	140,192	580,870	-	-	-	785,430
Health and social services	-	-	-	-	-	37,232	37,232
Culture and recreation	662,460	117,583	-	-	-	64,443	844,486
Community and economic development	-	4,459	-	-	629,033	285,080	918,572
General government	212,481	155,676	-	-	-	-	368,157
Debt service	-	-	-	-	-	893,757	893,757
Capital projects	63	-	-	3,350,000	95,998	171,701	3,617,762
Enterprise	-	35	-	-	-	-	35
Total disbursements	2,000,957	957,449	580,870	3,350,000	725,031	1,496,972	9,111,279
Excess of receipts over disbursements	(446,994)	193,189	86,178	(3,350,000)	(301,083)	235,497	(3,583,213)
Other financing sources (uses):							
Bond Proceeds	-	-	-	-	-	-	-
Operating transfers in	323,993	-	-	-	389,468	652,991	1,366,452
Operating transfers out	-	-	(69,661)	-	(487,858)	(781,589)	(1,339,108)
Total other financing sources (uses)	323,993	-	(69,661)	-	(98,390)	(128,598)	27,344
Net change in cash balances	(123,001)	193,189	16,517	(3,350,000)	(399,473)	106,899	(3,555,869)
Cash balances beginning of year	676,663	225,234	172,464	3,350,000	579,408	2,022,129	7,025,898
Cash balances end of year	\$ 553,662	418,423	188,981	-	179,935	2,129,028	3,470,029
Cash Basis Fund Balances							
Nonspendable-Cemetery Perpetual Care	-	-	-	-	-	278,849	278,849
Restricted For:							
Debt service	-	-	-	-	-	147,562	147,562
Other Purposes	-	418,423	-	-	179,935	1,510,502	2,108,860
Streets	-	-	188,981	-	-	-	188,981
Unassigned	553,662	-	-	-	-	192,115	745,777
Total cash basis fund balances	\$ 553,662	418,423	188,981	-	179,935	2,129,028	3,470,029

See notes to financial statements

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 7)	\$ 3,470,029
 The city does not have an internal service fund. Therefore there are no reconciling items.	 <hr style="width: 100%; border: 0.5px solid black;"/> -
 Cash basis net position of governmental activities (page 6)	 <hr style="width: 100%; border: 0.5px solid black;"/> \$ 3,470,029
 Change in cash balances (page 7)	 \$ (3,555,869)
 The city does not have an internal service fund. Therefore there are no reconciling items.	 <hr style="width: 100%; border: 0.5px solid black;"/> -
 Change in cash basis net position of governmental activities (page 6)	 <hr style="width: 100%; border: 0.5px solid black;"/> \$ (3,555,869)

See notes to financial statements

City of Oelwein

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise Funds				
	#61	#67	#90	Nonmajor	Total
	Water	Sewer	Sewer Bond Sinking		
Operating receipts:					
Charges for service	\$ 900,468	1,360,492	-	506,326	2,767,286
Miscellaneous	89,416	15,406	-	53,877	158,699
Total operating receipts	989,884	1,375,898	-	560,203	2,925,985
Operating disbursements:					
Business type activities	619,408	790,578	670,883	779,921	2,860,790
Total operating disbursements	619,408	790,578	670,883	779,921	2,860,790
Excess (deficiency) of operating receipts over (under) operating disbursements	370,476	585,320	(670,883)	(219,718)	65,195
Non-operating receipts :					
Interest on Investments	3,022	2,674	1,886	1,161	8,743
Total non-operating receipts:	3,022	2,674	1,886	1,161	8,743
Excess (deficiency) of receipts over (under)disbursements	373,498	587,994	(668,997)	(218,557)	73,938
Operating transfers in	5,000	-	516,000	369,104	890,104
Operating transfers out	(376,448)	(536,000)	-	(5,000)	(917,448)
Net transfers	(371,448)	(536,000)	516,000	364,104	(27,344)
Change in cash balances	2,050	51,994	(152,997)	145,547	46,594
Cash balances beginning of year	635,081	606,963	308,909	145,583	1,696,536
Cash balances end of year	\$ 637,131	658,957	155,912	291,130	1,743,130
Cash Basis Fund Balances					
Restricted for Debt Service	\$ -	-	155,912	-	155,912
Assigned for Williams Reserve	-	-	-	12,500	12,500
Unrestricted	637,131	658,957	-	278,630	1,574,718
Total cash basis fund balances	\$ 637,131	658,957	155,912	291,130	1,743,130

See notes to financial statements

City of Oelwein

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 9)	\$ 1,743,130
 The city does not have an internal service fund. Therefore there are no reconciling items.	 <u>-</u>
 Cash basis net position of business type activities (page 6)	 <u>\$ 1,743,130</u>
 Change in cash balances (page 9)	 \$ 46,594
 The city does not have an internal service fund. Therefore there are no reconciling items.	 <u>-</u>
 Change in cash basis net position of business type activities (page 6)	 <u>\$ 46,594</u>

See notes to financial statements

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oelwein has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board; Fayette County Homeland Security/Emergency Management Commission; Fayette County Compensation Board; Fayette County E911; Fayette County Local Emergency Planning Committee; Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid; Fayette County Firemen's Association; Buchanan County Firemen's Association; Iowa Firemen's Association; Iowa Fire Chief's Association; Iowa Arson Investigators Association; International Fire Chief's Association; Oelwein Chamber and Area Development; Northeast Iowa City Managers; Northeast Iowa Regional League; Iowa League of Cities; Iowa City Management Association; Iowa Water Pollution Control Association;

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2015

Northeast Iowa Clerks Association; Iowa Municipal Finance Officers Association; Fayette County Library Association; American Public Works Association; Iowa Police Chiefs Association; Peace Officers Association; International Association of Chiefs of Police (IACP); Iowa Crime Prevention Association; Governors Inoperability Board; Iowa Association of Municipal Utilities (IAMU); Iowa Rural Water Association; Iowa Municipal Workers Compensation Association (IMWCA); Trees Forever; National Arbor Day Foundation; Iowa Concrete Association; Iowa Asphalt Association; National Swimming Pool Association; Law Enforcement Intelligence Network; Upper Explorerland Regional Planning Commission (UERPC); International City Management Association (ICMA); Senior Human Resource Management (SHRM); National City Manager Assn.; National Junior City Manager Assn.; Midwest Organized Crime Information Center (MOCIC); Iowa Library Assn.; Rotary International; and Plaza Board.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2015

B. Basis of Presentation (continued)

identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Employee Benefits Fund is used to account for receipt of property tax allocated for employee benefits.

The Road Use Tax Fund is used to account for receipt of road use tax and the outflow of those funds.

Capital Projects:

The Economic Development Fund is used to account for Community and Economic Development projects.

The Bond Sale Police is used to account for the Urban Renewal General Obligation Certificates proceeds.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2015

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Bond Sinking Fund is used to account for payments on the sewer bond debt.

C. Measurement Focus and Basis of Accounting

The City of Oelwein maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF OELWEIN

Notes to Financial Statements

June 30, 2015

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015 disbursements exceeded the amounts budgeted in the Debt Service Fund and the Capital Projects Fund.

2. Cash and Pooled Investments

The City's deposits at June 30, 2015, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

With maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City had no investments at June 30, 2015.

3. Bonded Indebtedness

Annual debt service requirements to maturity for general obligation and urban renewal tax increment financing revenue bonded indebtedness are as follows:

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Bond		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	590,000	188,858	576,000	220,503	1,166,000	409,361
2017	610,000	175,658	593,000	203,710	1,203,000	379,368
2018	620,000	161,718	611,000	186,420	1,231,000	348,138
2019	640,000	147,058	629,000	168,603	1,269,000	315,661
2020	655,000	492,051	649,000	150,258	1,304,000	281,046
2021-2025	1,470,000	433,288	3,390,000	447,775	4,860,000	881,063
2026-2030	1,015,000	260,463	834,000	40,183	1,849,000	300,646
2031-2033	700,000	56,000	107,000	2,818	807,000	59,418
Tot.	<u>\$6,300,000</u>	<u>1,554,431</u>	<u>7,389,000</u>	<u>1,420,268</u>	<u>13,689,000</u>	<u>2,974,699</u>

In May, 2009, the City issued \$1,190,000 in General Obligation corporate Purpose bonds, Series 2009 for the purpose of "...constructing street, streetscape, sanitary sewer, airport and park improvements; acquiring equipment for the police, parks and general municipal departments...; and for ...paying the cost of constructing an addition to the police department building and improvements at the municipal swimming pool...". The loan matures on June 1 of each year, starting June 1, 2010. Interest is payable December 1, 2009 and semiannually thereafter on the first day of June and December of each year. Principal is payable June 1, 2010 and annually thereafter on the first day of June each year; except for June 1, 2012, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2013, is subject to mandatory redemption (by lot, as selected by Registrar) on June 1 in each of the years 2012 and 2013..." and June 1, 2014, which Resolution No. 4562 states "Principal of the Bond maturing on June 1, 2015, is subject to mandatory redemption (by lot, as selected by the Registrar) on June 1 in each of the years 2014 and 2015...". Interest rates are from 1.25% to 4.0%. City has reserved the right to prepay part or all of the Bonds maturing in each of the years 2016 to 2021. The balance at June 30, 2015 was \$915,000.

In April 15, 2010 the City issued \$620,000 in General Obligation corporate purpose and refunding bonds, Series 2010A for the purpose of: "...paying the costs of acquiring equipment for the police department and cemetery and refunding the outstanding balance of the City's General

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

Obligation Corporate Purpose and Refunding Notes, dated June 1, 2003." The loan matures on June 1 in each of the years commencing December 1, 2010. Interest is payable December 1, 2010 and semiannually thereafter on the first day of June and December of each year. Principal is payable annually each June 1 beginning June 1, 2013. Last payment to be June 1, 2015. Bonds were not subject to redemption prior to maturity. This note was paid off during year ended June 30, 2015.

On September 1, 2011, the City issued \$2,885,000 in General Obligation Corporate Purpose and Refunding Bond, Series 2011A, for the purpose of paying the cost of acquiring equipment for the police, street, public works and municipal water works departments and advance refunding the City's General Obligation Corporate Purpose and Refunding Bonds, Series 2005A. The loan matures June 1 of each year starting June 1, 2013. Interest is payable June 1, 2013, and every June 1, and December 1, of each year thereafter. Principal is payable June 1, 2013 and annually on June 1, thereafter. The City has the right to prepay part or all of the Bonds maturing in each of the years 2019 to 2022, inclusive, prior to and in any order of maturity, on June 1, 2018, or on any date thereafter upon terms of par and accrued interest. Balance at June 30, 2015 was \$2,065,000.

On May 1, 2014, the City issued \$3,455,000 in Urban Renewal General Obligation Certificates, Series 2014, for the purpose of planning, undertaking, and carrying out an urban renewal project, consisting of acquisition, construction, furnishing and equipping of a police station and related facilities and improvements. The debt matures June 1 of each year starting June 1, 2015. Interest is payable December 1, 2014 and every June 1, and December 1, of each year thereafter. Principal is payable June 1, 2015 and annually on each June 1, thereafter. The City has a sinking fund to which it accumulates funds to make the payments on this debt. At June 30, 2015 the funds were being held by Bankers Trust. Balance at June 30, 2015 was \$3,320,000.

Revenue Note

In order to establish a Municipal Sanitary Sewer System, the City has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$8,954,000. The city has established a Sewer Revenue Bond Sinking Fund, from which is paid the principal and interest on this debt. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any interest payment date after the ten year anniversary of the Agreement. Any optional redemption may be made from any funds regardless of source. The balance on this debt at June 30, 2015 was \$5,569,000.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

In order to make improvements to the water distribution system in order to comply with IDRN recommendations the City has entered into a Loan and Disbursement Agreement with Iowa Finance Authority not to exceed \$1,700,000 at a rate of 3%. Sewer Revenue Bonds will be issued. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are payable solely and only out of the future Net Revenues of the Utility of the City. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior written consent of the Iowa Finance Authority. Any optional redemption may be made from any funds regardless of source. Interest is due December 1 and June 1 of each year commencing December 1, 2010. Principal is to be paid annually and is scheduled to commence June 1, 2013. The balance on this debt at June 30, 2015 was \$1,033,000.

In order to make improvements to the water distribution system to comply with IDRN recommendations the city has entered into a Loan and disbursement Agreement with Iowa Finance Authority not to exceed \$900,000 at a rate of 2%. Sewer Revenue Bonds will be issued. The Bonds are not general obligations of the City, and thus not payable in any manner by taxation. The Bonds are payable solely and only out of the future Net Revenues of the Utility of the City. The Bonds are subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior written consent of the Iowa Finance Authority. Any optional redemption may be made from any funds regardless of source. Interest is due December 1 and June 1 of each year commencing December 1, 2012. Principal is to be paid annually and is scheduled to commence June 1, 2013. The balance on this debt at June 30, 2015 was \$787,000

4. U.S.D.A Promissory Note

There is a promissory note with the USDA for \$500,000. Interest rate is 1%. The City is to pay interest only on this note April 25th of the years 2009, 2010 and 2011. Commencing April 25, 2013 and thereafter on each April 25th the City is to pay principal and interest in an amount to fully amortize the loan in 30 years from the date of the note. Prepayments on the promissory note may be made. During the year ended June 30, 2015 the City paid \$4,674 in interest on the note to USDA. Balance of note on June 30, 2015 was \$434,082.

5. Pension Plan

Plan Description-IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand lone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits-A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The members highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits- A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies during retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

Contributions-Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$124,893.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions.

At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$850,164. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.00020311 percent, which was an increase of 0.00000696 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$63,633, \$46,760 and \$324,231 respectively.

Actuarial Assumptions-The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including Inflation. Rates vary by membership group

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

Long-term investment rate of return 7.50 percent, compounded annually, net
 (effective June 30, 1996) of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equit	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate-The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	6.5%	7.5%	8.5%
City's proportionate share of			
the net pension liability	\$ 1,606,362	\$ 850,164	\$ 211,856

Pension Plan Fiduciary Net Position-Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER'S website at www.ipers.org.

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits, which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, 30.41%, of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2015, 2014 and 2013 were \$183,445, \$180,503, and \$151,744, respectively, which met the required minimum contribution for each year.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

6. Other Postemployment Benefits (OPEB)

The City operates a single-employer retiree health benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 37 active members in the plan. There were no retired members in the plan at June 30, 2015. Participants must be 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under the age of 65 may stay on plan and must compensate the City at the same premium for the medical/prescription drug benefits as active employees. The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$561 for single coverage and \$1,403 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$543,267 and plan members eligible for benefits contributed \$51,222 to the plan.

Beginning January 1, 2014 the City began paying a monthly Affordable Care Act fee to Wellmark. Total paid for the six months ended June 30, 2015 was \$10,759

7. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for employee vacation hours is \$107,348. This liability has been computed based on rates of pay in effect at June 30, 2015.

Employees can accrue 12 hours sick leave per month. The police department can accumulate up to 1,040 hours of sick leave, the fire department can accumulate up to 990 hours and all other city employees can accumulate up to 1,008 hours of sick leave for subsequent use (known as the initial bank of sick leave). This initial bank of sick leave can only be used in the event of illness or injury and is not payable upon termination, retirement or death.

The City has agreed to contracts with three employees that if they reach their maximum sick leave hours known as the "Secondary Bank", this "Secondary Bank" of sick leave will be paid upon retirement from the City in for the form of health insurance. Forty banked days would buy eight weeks of health insurance, sixty banked days would buy twelve weeks of health insurance, one hundred banked days would buy twenty weeks of health insurance and one hundred thirty banked days would buy twenty-six weeks of health insurance. These accumulations are not recognized as expenditures by the City, until used or paid.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

of health insurance and one hundred thirty banked days would buy twenty-six weeks of health insurance. These accumulations are not recognized as expenditures by the City, until used or paid.

8. Related Party Transactions

No business between the City and City officials was noted for the year ended June 30, 2015.

9. Landfill Contract

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal for all household residences within the City. For the year ended June 30, 2015, \$261,543 was paid pursuant to the agreement.

10. Deficit Fund Balances

Capital Project Funds – The 2014 Bond Sales Fund, Proprietary Fund-Well/Water Tower Fund and Special Revenue–Sidewalk Repair Fund had deficit balances at June 30, 2015. The City considers these deficits temporary in nature.

11. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfers to</u>	<u>Transfers from</u>	<u>Amount</u>
General	Business Type:	
	Water	\$20,000
	Sewer	20,000
	Special Revenue:	
	Local Option Tax	166,915
	Emergency	35,501
	Economic Development	42,900
	Road Use Tax	20,000
	Hotel/Motel Tax	<u>18,677</u>
		<u>323,993</u>
Special Revenue:	Special Revenue:	
1 st Time Home Buyer	Gas/Electric Franchise	15,000
2014 G.O.Bond	Gas/Electric Franchise	3,000
IRP	Capital Projects:	
	Economic Development	<u>125,000</u>
		<u>143,000</u>

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

Capital Projects:	Special Revenue:	
Airport Grant	Economic Development	34,994
Economic Development	Sales Tax	389,468
	Capital Projects:	
CDBG Housing	Economic Housing	2,500
RR Viaduct	Economic Development	200,000
Library Bond	Economic Development	<u>14,928</u>
		<u>641,890</u>
Debt Service:	Debt Service:	
Debt Service	Special Assessments	43,074
	Special Revenue:	
	Road Use Tax	49,661
	Downtown TIF	18,266
	Gas/Elec Franchise	91,688
	Business Type:	
	Water	<u>54,880</u>
		<u>257,569</u>
Business Type:	Enterprise:	
Sewer Bond Sinking	Sewer	516,000
Water	Water Sinking	5,000
Water Sinking	Water	145,200
Water Improvement	Water	156,368
Williams Center	Economic Development	54,702
Williams Ctr Reserve	Economic Development	<u>12,834</u>
		<u>890,104</u>
Total Interfund Transfers		<u>\$2,256,556</u>

12. Risk Management

The City of Oelwein is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF OELWEIN

Notes to Financial Statement

June 30, 2015

14. Litigation

The City has not been named in any pending lawsuits, either as a defendant or as a plaintiff.

The City has been notified of a claim for reimbursement for out-of-pocket expenses for repairs to the water service. Damages asserted are less than \$5,000. No action has been taken on this claim.

The City has also been notified of an additional claim in regard to negligent inspection, but no action has been taken on this claim. No dollar amount specified. City asserts that this claim is now time barred pursuant to Iowa law.

The City has been notified that a lawsuit will be filed for violations of civil rights. Damages are \$398,277 plus reasonable attorney fees. The City has liability insurance providing coverage for this classification of claim asserted and the cost of defense.

15. Subsequent Events

Subsequent events have been considered by the City through November 23, 2015.

The City has pledged \$300,000 over 6 year period for financial support to the Oelwein School District if it purchases the Tech Spec building and creates an industrial technology training center.

As part of the East Penn project the City has applied for a RISE grant to fund the extension of 14th Street SE through to Outer Road. The cost of the project is estimated at \$2,123,000 and the City would be responsible for 20% of this cost. The City will also loan OCAD \$100,000 for a down payment and the cost of an option for the Industrial Park land expansion. City has also passed a resolution for a loan from the City to OCAD for the purchase of real property pursuant to a Development Agreement with East Penn Manufacturing, LLC.

OTHER INFORMATION

City of Oelwein
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances-
 Budget and Actual (Cash Basis) -
 All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 2,600,537	-
Tax increment financing	73,362	-
Other city tax	884,625	-
Licenses and permits	80,539	-
Use of money and property	286,659	8,743
Intergovernmental	987,685	-
Charges for services	91,439	2,767,286
Special assessments	43,223	-
Miscellaneous	479,997	158,699
Total Receipts	5,528,066	2,934,728
Disbursements:		
Public safety	1,645,848	-
Public works	785,430	-
Health and social services	37,232	-
Culture and recreation	844,486	-
Community and economic development	918,572	-
General government	368,157	-
Debt service	893,757	-
Capital projects	3,617,762	-
Business type activities	35	2,860,790
Total Disbursements	9,111,279	2,860,790
Excess (deficiency) of receipts over (under) disbursements	(3,583,213)	73,938
Other financing sources (uses):	27,344	(27,344)
Excess of receipts and other financing sources over disbursements and other financing uses	(3,555,869)	46,594
Balance, beginning of year	7,025,898	1,696,536
Balance, end of year	\$ 3,470,029	1,743,130

See accompanying independent auditor's report

Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	2,433,871	2,306,017	2,306,017	127,854
-	73,362	73,257	73,257	105
-	1,051,291	1,005,536	1,038,936	12,355
-	80,539	108,300	108,300	(27,761)
-	295,402	300,355	300,355	(4,953)
-	987,685	1,334,708	1,385,828	(398,143)
-	2,858,725	3,210,870	3,210,870	(352,145)
-	43,223	40,000	40,000	3,223
-	621,672	211,235	386,855	234,817
-	8,445,770	8,590,278	8,850,418	(404,648)
-	1,619,211	1,706,189	1,780,589	161,378
-	785,430	822,565	838,815	53,385
-	37,232	48,000	48,000	10,768
-	844,486	864,412	927,372	82,886
-	918,572	1,017,681	1,186,501	267,929
-	368,157	448,500	455,100	86,943
-	893,757	526,033	786,033	(107,724)
-	3,617,762	815,400	894,380	(2,723,382)
-	2,860,825	3,399,720	3,549,407	688,582
-	11,945,432	9,648,500	10,466,197	(1,479,235)
-	(3,499,662)	(1,058,222)	(1,615,779)	(1,883,883)
-	-	1,816,000	1,816,000	(1,816,000)
-	(3,499,662)	757,778	200,221	(3,699,883)
-	8,723,269	4,862,708	4,862,708	3,860,561
-	5,223,607	5,620,486	5,062,929	160,678

City of Oelwein

Notes to Other Information-Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year the budget amendment increased budgeted revenues by \$260,140 and budgeted disbursements by \$817,697. The amended budget amounts are reflected in the final budgeted numbers.

City of Oelwein

Schedule of the City's Proportionate Share of the
Net Pension Liability

Iowa Public Employees' Retirement System
As of June 30, 2015
(in thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.00021007%
City's proportionate share of the net pension liability	\$850
City's covered-employee payroll	\$1,398
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.80%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report

City of Oelwein
Schedule of City Contributions

Iowa Public Employee's Retirement System
Last Ten Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	125	125	114
Contributions in relation to the statutorily required contribution	(125)	(125)	(114)
Contribution deficiency(excess)	-	-	-
City's covered-employee payroll	1,400	1,400	1,315
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%

See accompanying independent auditor's report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
99	85	79	72	69	61	60
(99)	(85)	(79)	(72)	(69)	(61)	(60)
-	-	-	-	-	-	-
1,227	1,223	1,188	1,134	1,140	1,061	1,043
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

City of Oelwein

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and national Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.

City of Oelwein

Notes to Other Information - Pension Liability

June 30, 2015

- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue	Capital Projects	Debt Service	Spec Assessments	Permanant Cemetary Perpetual Care	Total
Receipts:						
Property tax	\$ 215,071	-	178,060	-	-	393,131
TIF collections	73,362	-	-	-	-	73,362
Other city tax	884,625	-	-	-	-	884,625
Use of money and property	3,629	669	1,048	-	-	5,346
Intergovernmental	121,365	149,343	-	-	-	270,708
Special assessments	-	-	-	43,223	-	43,223
Charges for services	-	-	-	-	-	-
Miscellaneous	58,087	-	-	-	3,987	62,074
Total receipts	1,356,139	150,012	179,108	43,223	3,987	1,732,469
Disbursements:						
Operating:						
Public safety	44,759	-	-	-	-	44,759
Public works	-	-	-	-	-	-
Health & Social Services	37,232	-	-	-	-	37,232
Culture and recreation	64,443	-	-	-	-	64,443
Community and economic devel.	241,479	43,601	-	-	-	285,080
General government	-	-	-	-	-	-
Debt service	-	367,724	526,033	-	-	893,757
Capital projects	1,000	170,701	-	-	-	171,701
Enterprise	-	-	-	-	-	-
Total disbursements	388,913	582,026	526,033	-	-	1,496,972
Excess (deficiency) of receipts over (under) disbursements	967,226	(432,014)	(346,925)	43,223	3,987	235,497
Other financing sources (uses):						
Operating transfers in	140,000	255,422	257,569	-	-	652,991
Operating transfers out	(738,515)	-	-	(43,074)	-	(781,589)
Net change in cash balances	368,711	(176,592)	(89,356)	149	3,987	106,899
Cash balances beginning of year	1,090,382	420,116	223,764	13,005	274,862	2,022,129
Cash balances end of year	\$ 1,459,093	243,524	134,408	13,154	278,849	2,129,028
Cash Basis Fund Balances						
Nonspendable-Cemetary Perpetual Care	\$ -	-	-	-	278,849	278,849
Restricted for Debt Service	-	-	134,408	13,154	-	147,562
Restricted for Other Purposes	1,459,093	243,524	-	-	-	1,702,617
Total cash basis fund balances	\$ 1,459,093	243,524	134,408	13,154	278,849	2,129,028

See accompanying independent auditor's report

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2015

	#40 Lib Bldg Repairs	#42 Sidewalk Repair	#48 Gas-Electric Franchise	#50 Flex Spending	#51 Co Emer Mgmt	#52 1st Time Home Buyer	#53 Lein3-03
Receipts:							
Property tax	\$ -	-	-	-	12,548	-	-
Tax increemnt financing	-	-	-	-	-	-	-
Other city tax	-	-	458,440	-	-	-	-
Use of money and property	-	-	1,572	-	-	51	-
Intergovernmental	-	-	-	-	-	-	24,119
Miscellaneous	-	-	-	37,232	-	-	-
Total receipts	-	-	460,012	37,232	12,548	51	24,119
Disbursements:							
Operating:							
Public safety	-	-	-	-	12,204	-	23,811
Public works	-	-	-	-	-	-	-
Health & Social Service	-	-	-	37,232	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	-	51,948	-	-	-	-
General government	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	1,000	-
Total disbursements	-	-	51,948	37,232	12,204	1,000	23,811
Excess (deficiency) of receipts over (under) disbursements	-	-	408,064	-	344	(949)	308
Other financing sources:							
Operating transfers in	-	-	-	-	-	15,000	-
Operating transfers out	-	-	(109,688)	-	-	-	-
Net change in cash balances	-	-	298,376	-	344	14,051	308
Cash balances beginning of year	-	(5,095)	220,970	2,251	2,250	15,849	2,229
Cash balances end of year	\$ -	(5,095)	519,346	2,251	2,594	29,900	2,537
Cash Basis Fund Balances							
Restricted for IRP	\$ -	-	-	-	-	-	-
Restricted for Other Purposes	-	(5,095)	519,346	2,251	2,594	29,900	2,537
Total cash basis fund balances	\$ -	(5,095)	519,346	2,251	2,594	29,900	2,537

See accompanying independent auditor's report

#55 IRP Revolving	#56 Downtown TIF	#57 Motel/ Hotel Tax	#58 DARE	#59 Sales Tax	#68 Municipal Trust	#74 Library Bequest	#92 Industrial Park TIF	#94 Emergency	#99 Forfitted Assets	Total
-	-	-	-	166,666	-	-	-	35,857	-	215,071
-	18,856	-	-	-	-	-	54,506	-	-	73,362
-	-	37,297	-	388,888	-	-	-	-	-	884,625
-	-	-	-	829	1,145	32	-	-	-	3,629
97,246	-	-	-	-	-	-	-	-	-	121,365
-	-	-	4,250	-	-	13,810	-	-	2,795	58,087
97,246	18,856	37,297	4,250	556,383	1,145	13,842	54,506	35,857	2,795	1,356,139
-	-	-	3,456	-	-	-	-	-	5,288	44,759
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	37,232
-	-	27,294	-	-	-	37,149	-	-	-	64,443
135,025	-	-	-	-	-	-	54,506	-	-	241,479
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	1,000
135,025	-	27,294	3,456	-	-	37,149	54,506	-	5,288	388,913
(37,779)	18,856	10,003	794	556,383	1,145	(23,307)	-	35,857	(2,493)	967,226
125,000	-	-	-	-	-	-	-	-	-	140,000
-	(18,266)	(18,677)	-	(556,383)	-	-	-	(35,501)	-	(738,515)
87,221	590	(8,674)	794	-	1,145	(23,307)	-	356	(2,493)	368,711
129,663	-	10,955	8,912	-	300,293	396,506	-	-	5,599	1,090,382
216,884	590	2,281	9,706	-	301,438	373,199	-	356	3,106	1,459,093
216,884	-	-	-	-	-	-	-	-	-	216,884
-	590	2,281	9,706	-	301,438	373,199	-	356	3,106	1,242,209
216,884	590	2,281	9,706	-	301,438	373,199	-	356	3,106	1,459,093

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2015

	#44 2014 GO Bond Sinking	#69 2014 Bond Sales	#73 Capital Equipment	#78 W Charles Mall	#79 Airport Grants
Receipts:					
Tax increment financing	\$ -	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	-	134,291
Total receipts	-	-	-	-	134,291
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Debt service	257,765	109,959	-	-	-
Capital projects	-	-	-	2,293	164,301
Total disbursements	257,765	109,959	-	2,293	164,301
Excess (deficiency) of receipts over (under) disbursements	(257,765)	(109,959)	-	(2,293)	(30,010)
Other financing sources (uses):					
Operating transfers in	3,000	-	-	-	34,994
Operating transfers out	-	-	-	-	-
Net change in cash balances	(254,765)	(109,959)	-	(2,293)	4,984
Cash balances beginning of year	255,765	(67,729)	449	2,475	57
Cash balances end of year	\$ 1,000	(177,688)	\$ 449	182	5,041
Cash Basis Fund Balances					
Restricted for other purposes	\$ 1,000	(177,688)	449	182	5,041

See accompanying independent auditor's report

#82 Downtown Letterment	#83 Tri-Park Trail Ext	#85 2009 Bond Sale	#87 Pave 10th St SE	#88 Neighborhood Stabilization	#89 Library Bond	#97 Well Water Tower	Total
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	99	64	506	-	-	-	669
-	-	-	520	14,532	-	-	149,343
-	99	64	1,026	14,532	-	-	150,012
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	43,601	-	-	43,601
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	367,724
2,500	-	-	-	-	-	1,607	170,701
2,500	-	-	-	43,601	-	1,607	582,026
(2,500)	99	64	1,026	(29,069)	-	(1,607)	(432,014)
2,500	-	-	-	-	14,928	200,000	255,422
-	-	-	-	-	-	-	-
-	99	64	1,026	(29,069)	14,928	198,393	(176,592)
-	25,505	16,770	132,616	69,136	(14,928)	-	420,116
-	25,604	16,834	133,642	40,067	-	198,393	243,524
-	25,604	16,834	133,642	40,067	-	198,393	243,524

City of Oelwein

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	#41 Water Bond Sinking	#62 Water Improvement	#70 Landfill	#71 Recycling
Receipts:				
Intergovernmental	\$ -	-	-	-
Charges for services	-	-	216,007	80,761
Miscellaneous	-	-	-	-
Total receipts	-	-	216,007	80,761
Disbursements:				
Operating:				
Enterprise	114,378	1,825	211,422	79,702
Debt Service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total disbursements	114,378	1,825	211,422	79,702
Excess (deficiency) of receipts over (under) disbursements	(114,378)	(1,825)	4,585	1,059
Other financing sources:				
SRF Loan Proceeds	-	-	-	-
Use of money and property	360	-	-	-
Operating transfers in	145,200	156,368	-	-
Operating transfers out	(5,000)	-	-	-
Net change in cash balances	26,182	154,543	4,585	1,059
Cash balances beginning of year	37,074	(154,543)	5,889	4,461
Cash balances end of year	\$ 63,256	-	10,474	5,520
Cash Basis Fund Balances				
Reserved	\$ -	-	-	-
Unreserved	63,256	-	10,474	5,520
Total cash basis fund balances	\$ 63,256	-	10,474	5,520

See accompanying independent auditor's report

#72 Williams Center	#76 Customer Dep. Water	#81 Sewer Main Const	#84 Fuel	#86 Well/Water Tower	#98 Williams Ctr Reserve	Total
-	-	-	-	-	-	-
125,686	-	-	83,872	-	-	506,326
9,337	38,384	-	4,603	-	1,553	53,877
135,023	38,384	-	88,475	-	1,553	560,203
189,865	31,539	-	67,956	68,660	14,574	779,921
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
189,865	31,539	-	67,956	68,660	14,574	779,921
(54,842)	6,845	-	20,519	(68,660)	(13,021)	(219,718)
-	-	-	-	-	-	-
140	-	661	-	-	-	1,161
54,702	-	-	-	-	12,834	369,104
-	-	-	-	-	-	(5,000)
-	6,845	661	20,519	(68,660)	(187)	145,547
-	95,015	173,458	(7,177)	(21,094)	12,500	145,583
-	101,860	174,119	13,342	(89,754)	12,313	291,130
-	-	-	-	(89,754)	12,313	(77,441)
-	101,860	174,119	13,342	-	-	368,571
-	101,860	174,119	13,342	(89,754)	12,313	291,130

CITY OF OELWEIN

STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation corporate purpose bonds, Series 2009	5-1-09	1.25-4.0%	\$ 1,190,000
General Obligation corporate purpose and refunding bonds, Series 2011A	9-1-2011	2.0-3.0%	2,885,000
General Obligation corporate purpose and refunding bonds, Series 2010A	4-15-2010	2.0-3.0%	620,000
Urban Renewal General Obligation Certificate Series 2014	5-1-2014	2.0%-4.0%	3,455,000
General Obligation Debt			
Revenue notes:			
Sewer Revenue bonds, series 2012 State Revolving Funds (Fd # 90)	10-5-12	2.00%	900,000
Water revenue bonds, series 2010 State Revolving Funds (Fd # 41)	9-15-10	3.00%	1,700,000
Sewer revenue bonds, series 2005 State Revolving Funds (Fd # 90)	5-23-05	3.00%	8,954,000
U.S. Department of Agriculture Intermediary Relending Program (Fd # 55)	4-25-08	1.00%	500,000

See accompanying independent auditor's report

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
975,000	-	60,000	915,000	33,700	-
2,395,000	-	330,000	2,065,000	54,483	-
45,000	-	45,000	-	1,850	-
3,455,000	-	135,000	3,320,000	120,765	-
<u>\$ 6,870,000</u>	<u>-</u>	<u>570,000</u>	<u>6,300,000</u>	<u>210,798</u>	<u>-</u>
\$ 825,000	-	38,000	787,000	14,438	-
1,111,262	-	78,262	1,033,000	33,338	-
5,991,000	-	422,000	5,569,000	179,730	-
<u>\$ 7,927,262</u>	<u>-</u>	<u>538,262</u>	<u>7,389,000</u>	<u>227,506</u>	<u>-</u>
\$ 450,837	-	16,755	434,082	4,470	-

CITY OF OELWEIN

BOND AND NOTE MATURITIES
June 30, 2015

General Obligation Corporate Purpose and Refunding Note			General Obligation Corporate Purpose Series 2009		Urban Renewal General Obligation Certificates Series 2014	
Issued September 1, 2011			Issued May 1, 2009		Issued May 1, 2014	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interes t Rates	Amount
2016	2.00%	305,000	3.00%	140,000	2.00%	145,000
2017	2.00%	315,000	3.20%	145,000	2.00%	150,000
2018	2.05%	320,000	3.40%	150,000	2.00%	150,000
2019	2.30%	330,000	3.60%	155,000	2.00%	155,000
2020	2.55%	340,000	3.80%	160,000	3.00%	155,000
2021	2.75%	355,000	4.00%	165,000	3.00%	160,000
2022	2.90%	100,000			3.00%	165,000
2023					3.00%	170,000
2024					3.00%	175,000
2025					3.25%	180,000
2026					3.25%	190,000
2027					3.75%	195,000
2028					3.75%	205,000
2029					4.00%	210,000
2030					4.00%	215,000
2031					4.00%	225,000
2032					4.00%	235,000
2033					4.00%	240,000
		<u>\$ 2,065,000</u>		<u>915,000</u>		<u>3,320,000</u>
Revenue Note Sewer Revenue Bond			Revenue Note Sewer Revenue Bond		Revenue Note Water Revenue Bond	
Issued May 23, 2005			Issued Oct 5, 2012		Issued September 15, 2010	
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interes t Rates	Amount
2016	3.00%	435,000	2.00%	39,000	3.00%	102,000
2017	3.00%	448,000	2.00%	40,000	3.00%	105,000
2018	3.00%	461,000	2.00%	41,000	3.00%	109,000
2019	3.00%	475,000	2.00%	42,000	3.00%	112,000
2020	3.00%	490,000	2.00%	43,000	3.00%	116,000
2021	3.00%	504,000	2.00%	43,000	3.00%	120,000
2022	3.00%	519,000	2.00%	44,000	3.00%	123,000
2023	3.00%	535,000	2.00%	45,000	3.00%	127,000
2024	3.00%	551,000	2.00%	46,000	3.00%	119,000
2025	3.00%	567,000	2.00%	47,000		
2026	3.00%	584,000	2.00%	48,000		
2027			2.00%	49,000		
2028			2.00%	50,000		
2029			2.00%	51,000		
2030			2.00%	52,000		
2031			2.00%	53,000		
2032			2.00%	54,000		
		<u>5,569,000</u>		<u>787,000</u>		<u>1,033,000</u>

See accompanying independent auditor's report

City of Oelwein

Schedule of Receipts by Source and Disbursements by Function
 All Governmental Funds
 For the Last Eleven Years—Years Ended June 30

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 2,433,871	2,265,317	2,225,651	2,088,591
Tax increment financing	73,362	106,380	92,163	100,755
Other city tax	1,051,291	1,082,086	975,105	980,861
Licenses and permits	80,539	98,623	86,826	80,746
Use of money and property	286,659	289,316	283,043	237,050
Intergovernmental	987,685	1,260,775	1,542,206	2,064,616
Charges for service	91,439	95,180	147,190	169,503
Special assessments	43,223	60,791	78,338	121,720
Miscellaneous	479,997	352,787	407,739	332,566
Total	\$ 5,528,066	5,611,255	5,838,261	6,176,408
Disbursements:				
Operating:				
Public safety	\$ 1,645,848	1,740,553	1,990,153	1,736,134
Public works	785,430	779,828	753,365	845,566
Health and social services	37,232	40,204	41,012	40,195
Culture and recreation	844,486	818,383	765,827	832,448
Community and economic development	918,572	1,198,140	868,849	1,044,115
General government	368,157	373,809	342,228	363,154
Debt service	893,757	526,908	601,358	3,162,885
Capital projects	3,617,762	123,998	455,840	860,504
Enterprise	35	-	2,829	21
Total	\$ 9,111,279	5,601,823	5,821,461	8,885,022

See accompanying independent auditor's report

2011	2010	2009	2008	2007	2006	2005
2,193,856	1,924,356	1,848,092	1,812,366	1,828,186	1,746,846	1,653,158
77,819	152,164	150,020	136,547	138,099	161,607	155,521
796,829	504,753	531,325	474,004	508,516	399,905	394,643
90,508	82,745	77,139	72,053	73,689	67,977	61,375
211,957	182,723	137,646	271,087	199,268	184,814	104,457
1,655,035	1,451,034	1,438,224	1,191,561	1,698,867	1,743,440	1,375,291
178,473	157,251	132,138	145,868	157,803	144,706	407,599
140,773	125,985	186,564	131,537	37,166	41,252	45,058
255,986	416,260	508,329	395,268	576,110	397,606	341,271
<u>5,601,236</u>	<u>4,997,271</u>	<u>5,009,477</u>	<u>4,630,291</u>	<u>5,217,704</u>	<u>4,888,153</u>	<u>4,538,373</u>
1,657,381	1,612,823	1,470,636	1,506,802	1,508,523	1,649,099	1,952,294
721,848	699,846	654,838	641,866	545,938	525,040	531,129
36,096	26,342	22,210	19,092	14,927	10,929	-
734,580	709,608	664,204	673,792	595,684	536,794	495,819
1,113,995	537,523	743,863	673,493	387,696	207,295	155,908
348,957	327,414	346,965	250,274	248,696	283,983	224,816
526,090	1,415,055	741,453	754,716	1,637,853	375,937	261,230
254,967	807,293	762,187	1,001,904	3,334,784	4,373,910	2,056,814
134,643	536,959	15,941	53	-	-	-
<u>5,528,557</u>	<u>6,672,863</u>	<u>5,422,297</u>	<u>5,521,992</u>	<u>8,274,101</u>	<u>7,962,987</u>	<u>5,678,010</u>

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
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Donald A. Snitker, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDIT STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Oelwein, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Oelwein's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Oelwein's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Oelwein's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Oelwein's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oelwein's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not to constitute legal interpretations of those statutes.

City of Oelwein's Responses to Findings

City of Oelwein responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. City of Oelwein's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Oelwein during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER AND COMPANY, P.C.

December 17, 2015

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

CITY OF OELWEIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: general ledger posting, coding of postings, reconciliations and the custody, distribution and writing of checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF OELWEIN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

II-B-15 Accounting Staff Technical Expertise- We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with another comprehensive basis of accounting (OCBA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in all small entities.

Response-Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion-Response accepted.

Instances of non-compliance:

No matters were noted.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Part III - Other Findings Related to Statutory Reporting:

III-A-15 Certified Amended Budget—Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the Debt Service Fund and the Capital Project Fund. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation—Budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response—The Capital Project Fund disbursements for the police station were budgeted the prior year, but due to timing the monies did not get spent until the current year. The budget should have been amended and will be amended in the future, when applicable.

Conclusion—Response accepted.

III-B-15 Questionable Disbursements—During the audit it was found that a personal expense of a city official had been paid on a city credit card. Staff had coded to an expense account. After discovering that it was an inappropriate expense the official was contacted and the city was reimbursed.

Recommendation—A credit card policy should be put in place where no personal expenses are allowed. In addition it is recommended that the department head review and approve credit card purchases and bills.

Response—The city passed such a credit card policy at its September 14, 2015 council meeting not allowing any personal expenses.

Conclusion—Response accepted.

III-C-15 Travel Expenses—No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions—No business transactions between the City and City officials or employees were noted.

III-E-15 Bond Coverage—Security bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

- III-F-15 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-15 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-15 Temporary Investments--The City has a systematic investment program. During the year ended June 30, 2015, the investments resulted in interest income of \$21,657.
- III-I-15 Financial Condition--Special Revenue-Sidewalk Repair, Capital Project Funds - 2014 Bond Sales, Proprietary Fund-Well/Water Tower had deficit balances at June 30, 2015.

Recommendation- The City should investigate alternatives to eliminate these deficits and return these funds to a sound financial condition.

Response- The City considers all deficits temporary.

Conclusion- Response accepted.

- III-J-15 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2015.
- III-K-15 Revenue Bonds and Notes --No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-L-15 G.O. Bond Payments-Payments on the 2014 G.O. Bond debt was paid from the GO Bond Sinking Police Fund. G.O. Bond, Fund #44. Chapter 384.4 of the Code of Iowa states, in "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation-Funds should be transferred to the Debt Service Fund and the payment on the debt should be paid from that fund.

Response-Future payments on the 2014 G.O. Bond debt will be transferred to the Debt Service Fund and paid from that fund.

Conclusion-Response accepted.

CITY OF OELWEIN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

- III-F-15 Council Minutes--No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-15 Deposits and Investments--We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
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Recommendation- The City should investigate alternatives to eliminate these deficits and return these funds to a sound financial condition.

Response- The City considers all deficits temporary.

Conclusion- Response accepted.

- III-J-15 Official Depositories--A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2015.
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Recommendation-Funds should be transferred to the Debt Service Fund and the payment on the debt should be paid from that fund.

Response-Future payments on the 2014 G.O. Bond debt will be transferred to the Debt Service Fund and paid from that fund.

Conclusion-Response accepted.

CITY OF OELWEIN

AUDIT STAFF

This audit was performed by:

Donald A. Snitker, CPA
Brent Waters, CPA
Paul Yokas, Staff